

RECORDATION NO. 29555 FILED

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SURFACE TRANSPORTATION BOARD

ELIAS C. ALVORD (1942)
ELLSWORTH C. ALVORD (1964)

December 1, 2010

Chief
Section of Administration
Office of Proceedings
Surface Transportation Board
395 E Street, S.W.
Washington, D.C. 20423

Dear Section Chief,

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11301(a) are two (2) copies of a Security Agreement dated as of November 30, 2010, a primary document as defined in the Board's Rules for the Recordation of Documents.

The names and addresses of the parties to the enclosed document are:

Bank: Bank of America, N.A.
5550 W. Main Street, 8th Floor
Knoxville, TN 37902

Pledgors: Gulf & Ohio Railways, Inc.
Conecuh Valley Railroad, Inc.
Knoxville & Holston River Railroad Co., Inc.
Knoxville Locomotive Works, Inc.
KLWX, Inc.
Laurinburg & Southern Railroad Co., Inc.
Piedmont & Atlantic Railroad Co., Inc. (d/b/a
Yadkin Valley Railroad)
Rocky Mount & Western Railroad Co., Inc. (d/b/a
Nash County Railroad)
Tennessee Railcar Service, Inc.

Chief
Section of Administration
December 1, 2010
Page 2

Three Notch Railroad Co., Inc.
Three Rivers Rambler, Inc.
Towerfall, Inc.
Wiregrass Central Railroad Company, Inc.
Lancaster & Chester Railroad, LLC
c/o Gulf & Ohio Railways, Inc.
422 W. Cumberland Ave.
Knoxville, TN 37901

A description of the railroad equipment covered by the enclosed document
is:

all railroad equipment of every type now owned or hereafter acquired by
each Pledgor, including, but not limited to the items of equipment
particularly set forth in the equipment schedule attached to the document.

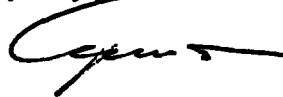
A short summary of the document to appear in the index is.

Security Agreement.

Also enclosed is a check in the amount of \$41.00 payable to the order of
the Surface Transportation Board covering the required recordation fee.

Kindly return stamped copies of the enclosed document to the
undersigned.

Very truly yours,



Robert W. Alvord

RWA/sem
Enclosures

RECORDATION NO. 29555



DEC 01 '10 -1 10 PM

LAKE TRANSPORTATION BOARD

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (this "Agreement"), dated as of November 30, 2010, is made by and among GULF & OHIO RAILWAYS, INC., and each of its direct and indirect subsidiaries now or hereafter party hereto, (each a "Pledgor" and collectively, the "Pledgor") and Bank of America, N.A. (the "Bank").

1. **THE SECURITY.** The undersigned Pledgor hereby assigns and grants to Bank of America, N.A., its subsidiaries and affiliates (collectively, the "Bank") an interest in the following described property now owned or hereafter acquired by the Pledgor other than the Excluded Property ("Collateral"):

(a) All accounts, contract rights, chattel paper, instruments, deposit accounts, letter of credit rights, payment intangibles and general intangibles, including all amounts due to the Pledgor from a factor; rights to payment of money from the Bank under any Swap Contract (as defined in Paragraph 2 below); and all returned or repossessed goods which, on sale or lease, resulted in an account or chattel paper.

(b) All inventory, including all materials, work in process and finished goods.

(c) All machinery, furniture, fixtures and other equipment of every type now owned or hereafter acquired by the Pledgor, (including, but not limited to, the equipment described in the Equipment Description attached hereto as Exhibit A).

(d) All of the Pledgor's deposit accounts with the Bank. The Collateral shall include any renewals or rollovers of the deposit accounts, any successor accounts, and any general intangibles and choses in action arising therefrom or related thereto.

(e) All instruments, notes, chattel paper, documents, certificates of deposit, securities and investment property of every type. The Collateral shall include all liens, security agreements, leases and other contracts securing or otherwise relating to the foregoing

(f) All general intangibles, including, but not limited to, (i) all patents, and all unpatented or unpatentable inventions; (ii) all trademarks, service marks, and trade names; (iii) all copyrights and literary rights; (iv) all computer software programs; (v) all mask works of semiconductor chip products; (vi) all trade secrets, proprietary information, customer lists, manufacturing, engineering and production plans, drawings, specifications, processes and systems. The Collateral shall include all good will connected with or symbolized by any of such general intangibles; all contract rights, documents, applications, licenses, materials and other matters related to such general intangibles; all tangible property embodying or incorporating any such general intangibles; and all chattel paper and instruments relating to such general intangibles.

(g) All negotiable and nonnegotiable documents of title covering any Collateral.

(h) All accessions, attachments and other additions to the Collateral, and all tools, parts and equipment used in connection with the Collateral

(i) All substitutes or replacements for any Collateral, all cash or non-cash proceeds, product, rents and profits of any Collateral, all income, benefits and property receivable on account of the Collateral, all rights under warranties and insurance contracts, letters of credit, guaranties or other supporting obligations covering the Collateral, and any causes of action

relating to the Collateral, and all proceeds (including insurance proceeds) from the sale, destruction, loss, or other disposition of any of the Collateral and sums due from a third party which has damaged or destroyed the Collateral or from that party's insurer, whether due to judgment, settlement or other process.

(j) All books, data and records pertaining to any Collateral, whether in the form of a writing, photograph, microfilm or electronic media, including but not limited to any computer-readable memory and any computer hardware or software necessary to process such memory ("Books and Records").

"Excluded Property" means the (i) the antique steam engine bearing number 154 that is an 1890 American Locomotive Works 2-8-0 coal fired unit built in the Schenectady shop owned by Three Rivers Rambler, Inc. and (ii) the antique steam engine bearing number 203 that is a 1925 Baldwin Locomotive Works 2-8-0 oil fired unit and owned by Three Rivers Rambler, Inc.

2. **THE INDEBTEDNESS.** The Collateral secures and will secure (a) all indebtedness of the Pledgor to the Bank and (b) all indebtedness of Gulf & Ohio Railways, Inc. to the Bank. Borrower and each Pledgor are referred to in this Agreement, individually and collectively, as a "Debtor." "Indebtedness" means all debts, obligations or liabilities now or hereafter existing, absolute or contingent of the Debtor or any one or more of them to the Bank, whether voluntary or involuntary, whether due or not due, or whether incurred directly or indirectly or acquired by the Bank by assignment or otherwise. Indebtedness shall include, without limitation, all obligations of the Debtor arising under any Swap Contract. "Swap Contract" means any interest rate, credit, commodity or equity swap, cap, floor, collar, forward foreign exchange transaction, currency swap, cross currency rate swap, currency option, securities puts, calls, collars, options or forwards or any combination of, or option with respect to, these or similar transactions now or hereafter entered into between the Debtor and the Bank.

3. **PLEDGOR'S COVENANTS.** The Pledgor represents, covenants and warrants that unless compliance is waived by the Bank in writing:

(a) The Pledgor will properly preserve the Collateral; defend the Collateral against any adverse claims and demands; and keep accurate Books and Records.

(b) The Pledgor's chief executive office is located, in the state specified on Exhibit B. In addition, the Pledgor, is incorporated in or organized under the laws of the state specified on Exhibit B hereto. The Pledgor shall give the Bank at least thirty (30) days notice before changing its residence or its chief executive office or state of incorporation or organization. The Pledgor will notify the Bank in writing prior to any change in the location of the Books and Records.

(c) The Pledgor will notify the Bank in writing prior to any change in the Pledgor's name, identity or business structure.

(d) Unless otherwise agreed in writing, the Pledgor has not granted and will not grant any security interest in any of the Collateral except to the Bank, and will keep the Collateral free of all liens, claims, security interests and encumbrances of any kind or nature except the security interest of the Bank unless otherwise agreed in writing.

(e) The Pledgor will promptly notify the Bank in writing of any event which adversely affects the value of the Collateral, the ability of the Pledgor or the Bank to dispose of the Collateral, or the rights and remedies of the Bank in relation thereto, including, but not limited to, the levy of any legal process against any Collateral and the adoption of any marketing order, arrangement or procedure affecting the Collateral, whether governmental or otherwise.

(f) The Pledgor shall pay all costs necessary to preserve, defend, enforce and collect the Collateral, including but not limited to taxes, assessments, insurance premiums, repairs, rent, storage costs and expenses of sales, and any costs to perfect the Bank's security interest (collectively, the "Collateral Costs"), except for those taxes and assessments being contested in good faith by appropriate proceedings diligently conducted and for which adequate reserves have been provided in accordance with GAAP or for which Pledgor has provided to Bank adequate security therefore as determined by Bank in its discretion. Without waiving the Pledgor's default for failure to make any such payment, the Bank at its option may pay any such Collateral Costs, and discharge encumbrances on the Collateral, and such Collateral Costs payments shall be a part of the Indebtedness and bear interest at the rate set out in the Indebtedness. The Pledgor agrees to reimburse the Bank on demand for any Collateral Costs so incurred.

(g) Until the Bank exercises its rights to make collection, the Pledgor will diligently collect all Collateral in accordance with its normal course of business.

(h) If any Collateral is or becomes the subject of any registration certificate, certificate of deposit evidenced by certificates or negotiable document of title, including any warehouse receipt or bill of lading, the Pledgor shall immediately notify the Bank and upon the request of the Bank, deliver such document to the Bank, together with any necessary endorsements.

(i) The Pledgor will not sell, lease, agree to sell or lease, or otherwise dispose of any Collateral except as otherwise provided in that certain Loan Agreement between Gulf & Ohio Railways, Inc. and the Bank dated on or about the date hereof (as may hereafter be amended, restated, renewed or superseded,, the "Loan Agreement") or with the prior written consent of the Bank; provided, however, that the Pledgor may sell inventory in the ordinary course of business.

(j) The Pledgor will maintain and keep in force all risk insurance substantially similar to the coverage in place on the Collateral in place as of the date hereof and covering such Collateral against fire, theft, liability and extended coverages (including without limitation windstorm coverage and hurricane coverage as applicable), to the extent that any Collateral is of a type which can be so insured. Such insurance shall be in form, amounts, coverages and basis reasonably acceptable to the Bank, shall require losses to be paid on a replacement cost basis, shall be issued by insurance companies acceptable to the Bank and include a loss payable endorsement in favor of the Bank in a form acceptable to the Bank. Upon the request of the Bank, the Pledgor will deliver to the Bank a copy of each insurance policy, or, if permitted by the Bank, a certificate of insurance listing all insurance in force.

(k) The parties hereto agree that, to the fullest extent of the law, all railroad related appliances, apparatus and facilities, trackage, material and supplies used in connection with or pertaining to any railroad lines owned, leased and/or operated by each such Grantor shall be treated as personal property of the Pledgor and not fixtures. Pledgor agrees that such categorization shall be binding on Pledgor and it will not contest such determination in any proceeding or otherwise.

(l) The Pledgor will not attach any Collateral to any real property or fixture in a manner which might cause such Collateral to become a part thereof unless the Pledgor first obtains the written consent of any owner, holder of any lien on the real property or fixture, or other person having an interest in such property to the removal by the Bank of the Collateral from such real property or fixture. Such written consent shall be in form and substance acceptable to the Bank and shall provide that the Bank has no liability to such owner, holder of any lien, or any other person.

(m) Exhibit C to this Agreement is a complete list of all patents, trademark and service mark registrations, copyright registrations, mask work registrations, and all applications therefor, in which the Pledgor has any right, title, or interest, throughout the world. To the extent required by the Bank in its discretion, the Pledgor will promptly notify the Bank of any acquisition (by adoption and use, purchase, license or otherwise) of any patent, trademark or service mark registration, copyright registration, mask work registration, and applications therefor, and unregistered trademarks and service marks and copyrights, throughout the world, which are granted or filed or acquired after the date hereof or which are not listed on Exhibit C. The Pledgor authorizes the Bank, without notice to the Pledgor, to modify this Agreement by amending Exhibit C to include any such Collateral.

(n) The Pledgor will, at its expense, diligently prosecute all patent, trademark or service mark or copyright applications pending on or after the date hereof, will maintain in effect all issued patents and will renew all trademark and service mark registrations, including payment of any and all maintenance and renewal fees relating thereto, except for such patents, service marks and trademarks that are being sold, donated or abandoned by the Pledgor due to discontinued use or expiration by its terms. The Pledgor also will promptly make application on any patentable but unpatented inventions, registerable but unregistered trademarks and service marks, and copyrightable but uncopyrighted works. The Pledgor will at its expense protect and defend all rights in the Collateral against any material claims and demands of all persons other than the Bank and will, at its expense, enforce all rights in the Collateral against any and all infringers of the Collateral where such infringement would materially impair the value or use of the Collateral to the Pledgor or the Bank. The Pledgor will not license or transfer any of the Collateral, except for such licenses as are customary in the ordinary course of the Pledgor's business, or except with the Bank's prior written consent.

4. **ADDITIONAL OPTIONAL REQUIREMENTS.** The Pledgor agrees that the Bank may at its option at any time, whether or not the Pledgor is in default:

(a) Require the Pledgor to deliver to the Bank (i) copies of or extracts from the Books and Records, and (ii) information on any contracts or other matters affecting the Collateral.

(b) Examine the Collateral, including the Books and Records, and make copies of or extracts from the Books and Records, for such purposes and in accordance with the Loan Agreement, enter at any reasonable time upon the property where any Collateral or any Books and Records are located.

(c) Require the Pledgor to deliver to the Bank any instruments, chattel paper or letters of credit which are part of the Collateral, and to assign to the Bank the proceeds of any such letters of credit.

(d) Notify any account debtors, any buyers of the Collateral, or any other persons of the Bank's interest in the Collateral.

5. **DEFAULTS.** Any one or more of the following shall be a default hereunder and the Pledgor shall promptly notify the Bank in writing if:

(a) Any Indebtedness is not paid when due, or any default occurs under any agreement relating to the Indebtedness, after giving effect to any applicable grace or cure periods.

(b) The Pledgor breaches any term, provision, warranty or representation under this Agreement, provided, however, if such breach is capable of being remedied, the breach will not be considered an event of default under this Agreement unless such breach continues for a

period of thirty (30) days after the date on which the Bank has given written notice of the breach to the Pledgor.

(c) The Pledgor breaches any term, provision, warranty or representation under any other obligation of the Pledgor to the Bank, and such breach remains uncured after any applicable cure period.

(d) The Bank fails to have an enforceable first lien (except for any prior liens to which the Bank has consented in writing) on or security interest in the Collateral.

(e) Any custodian, receiver or trustee is appointed to take possession, custody or control of all or a substantial portion of the property of the Pledgor or of any guarantor or other party obligated under any Indebtedness.

(f) The Pledgor or any guarantor or other party obligated under any Indebtedness becomes insolvent, or is generally not paying or admits in writing its inability to pay its debts as they become due, fails in business, makes a general assignment for the benefit of creditors, dies, or commences any case, proceeding or other action under any bankruptcy or other law for the relief of, or relating to, debtors that is not dismissed within a period of sixty (60) days after filing.

(g) Any case, proceeding or other action is commenced against the Pledgor or any guarantor or other party obligated under any Indebtedness under any bankruptcy or other law for the relief of, or relating to, debtors.

(h) Any involuntary lien of any kind or character attaches to any Collateral, except for liens for taxes not yet due.

(i) The Pledgor has given the Bank any materially false or misleading information or representations.

6. BANK'S REMEDIES AFTER DEFAULT. In the event of any default, the Bank may do any one or more of the following, to the extent permitted by law:

(a) Declare any Indebtedness immediately due and payable, without notice or demand.

(b) Enforce the security interest given hereunder pursuant to the Uniform Commercial Code (the "UCC") and any other applicable law.

(c) Enforce the security interest of the Bank in any deposit account of the Pledgor maintained with the Bank by applying such account to the Indebtedness.

(d) Require the Pledgor to obtain the Bank's prior written consent to any sale, lease, agreement to sell or lease, or other disposition of any Collateral consisting of inventory.

(e) Require the Pledgor to segregate all collections and proceeds of the Collateral so that they are capable of identification and deliver daily such collections and proceeds to the Bank in kind.

(f) Require the Pledgor to direct all account debtors to forward all payments and proceeds of the Collateral to a post office box under the Bank's exclusive control.

(g) Require the Pledgor to assemble the Collateral, including the Books and Records, and make them available to the Bank at a place designated by the Bank.

(h) Enter upon the property where any Collateral, including any Books and Records, are located and take possession of such Collateral and such Books and Records, and use such property (including any buildings and facilities) and any of the Pledgor's equipment, if the Bank deems such use necessary or advisable in order to take possession of, hold, preserve, process, assemble, prepare for sale or lease, market for sale or lease, sell or lease, or otherwise dispose of, any Collateral.

(i) Demand and collect any payments on and proceeds of the Collateral. In connection therewith the Pledgor irrevocably authorizes the Bank to endorse or sign the Pledgor's name on all checks, drafts, collections, receipts and other documents, and to take possession of and open the mail addressed to the Pledgor and remove therefrom any payments and proceeds of the Collateral.

(j) Grant extensions and compromise or settle claims with respect to the Collateral for less than face value, all without prior notice to the Pledgor.

(k) Use or transfer any of the Pledgor's rights and interests in any Intellectual Property now owned or hereafter acquired by the Pledgor, if the Bank deems such use or transfer necessary or advisable in order to take possession of, hold, preserve, process, assemble, prepare for sale or lease, market for sale or lease, sell or lease, or otherwise dispose of, any Collateral. The Pledgor agrees that any such use or transfer shall be without any additional consideration to the Pledgor. As used in this paragraph, "Intellectual Property" includes, but is not limited to, all trade secrets, computer software, service marks, trademarks, trade names, trade styles, copyrights, patents, applications for any of the foregoing, customer lists, working drawings, instructional manuals, and rights in processes for technical manufacturing, packaging and labeling, in which the Pledgor has any right or interest, whether by ownership, license, contract or otherwise.

(l) Have a receiver appointed by any court of competent jurisdiction to take possession of the Collateral. The Pledgor hereby consents to the appointment of such a receiver and agrees not to oppose any such appointment.

(m) Take such measures as the Bank may deem necessary or advisable to take possession of, hold, preserve, process, assemble, insure, prepare for sale or lease, market for sale or lease, sell or lease, or otherwise dispose of, any Collateral, and the Pledgor hereby irrevocably constitutes and appoints the Bank as the Pledgor's attorney-in-fact to perform all acts and execute all documents in connection therewith.

(n) Without notice or demand to the Pledgor, set off and apply against any and all of the Indebtedness any and all deposits (general or special, time or demand, provisional or final) and any other indebtedness, at any time held or owing by the Bank or any of the Bank's agents or affiliates to or for the credit of the account of the Pledgor or any guarantor or endorser of the Pledgor's Indebtedness.

(o) Exercise any other remedies available to the Bank at law or in equity.

7. PLEDGOR NOT A DEBTOR. If any Pledgor is not a Debtor under some or all of the Indebtedness:

(a) The Pledgor authorizes the Bank, from time to time, without affecting the Pledgor's obligations under this Agreement, to enter into an agreement with the Debtor to change the interest rate on or renew the Indebtedness; accelerate, extend, compromise, or otherwise change the repayment terms or any other terms of the Indebtedness; receive and hold, exchange, enforce, waive, fail to perfect, substitute, or release Collateral, including collateral not

originally covered by this Agreement; sell or apply any Collateral in any order; or release or substitute any borrower, guarantor or endorser of the Indebtedness, or other person.

(b) The Pledgor waives any defense by reason of any Debtor's or any other person's defense, disability, or release from liability. The Bank can exercise its rights against the Collateral even if any Debtor or any other person no longer is liable on the Indebtedness because of a statute of limitations or for other reasons.

(c) The Pledgor agrees that it is solely responsible for keeping itself informed as to the financial condition of the Debtors and of all circumstances which bear upon the risk of nonpayment. The Pledgor waives any right it may have to require the Bank to disclose to the Pledgor any information which the Bank may now or hereafter acquire concerning the financial condition of the Debtors.

(d) The Pledgor waives all rights to notices of default or nonperformance by the Debtors. The Pledgor further waives all rights to notices of the existence or the creation of new Indebtedness by any Debtor and all rights to any other notices to any party liable on any of the Indebtedness.

(e) The Pledgor represents and warrants to the Bank that it will derive benefit, directly and indirectly, from the collective administration and availability of credit under the Indebtedness. The Pledgor agrees that the Bank will not be required to inquire as to the disposition by any Debtor of funds disbursed by the Bank.

(f) Until all obligations to the Bank under the Indebtedness have been paid in full and any commitments of the Bank or facilities provided by the Bank with respect to the Indebtedness have been terminated, the Pledgor waives any right of subrogation, reimbursement, indemnification and contribution (contractual, statutory or otherwise), including without limitation, any claim or right of subrogation under the Bankruptcy Code (Title 11, United States Code) or any successor statute, which the Pledgor may now or hereafter have against any Debtor with respect to the Indebtedness. The Pledgor waives any right to enforce any remedy which the Bank now has or may hereafter have against any Debtor, and waives any benefit of, and any right to participate in, any security now or hereafter held by the Bank.

(g) The Pledgor waives any right to require the Bank to proceed against any Debtor or any other person; proceed against or exhaust any security; or pursue any other remedy. Further, the Pledgor consents to the taking of, or failure to take, any action which might in any manner or to any extent vary the risks of the Pledgor under this Agreement or which, but for this provision, might operate as a discharge of the Pledgor.

(h) In the event any amount paid to the Bank on any Indebtedness or any interest in property transferred to the Bank as payment on any Indebtedness is subsequently recovered from the Bank in or as a result of any bankruptcy, insolvency or fraudulent conveyance proceeding, the Pledgor shall be liable to the Bank for the amounts so recovered up to the fair market value of the Collateral whether or not the Collateral has been released or the security interest terminated. In the event the Collateral has been released or the security interest terminated, the fair market value of the Collateral shall be determined, at the Bank's option, as of the date the Collateral was released, the security interest terminated, or said amounts were recovered.

8. MISCELLANEOUS.

(a) Any waiver, express or implied, of any provision hereunder and any delay or failure by the Bank to enforce any provision shall not preclude the Bank from enforcing any such provision thereafter

(b) The Pledgor shall, at the request of the Bank, execute such other agreements, documents, instruments, or financing statements in connection with this Agreement as the Bank may reasonably deem necessary to effect the purposes hereof.

(c) All notes, security agreements, subordination agreements and other documents executed by the Pledgor or furnished to the Bank in connection with this Agreement must be in form and substance satisfactory to the Bank.

(d) This Agreement is governed by federal law. To the extent applicable and not preempted by federal law, then the laws of Tennessee apply. To the extent that the Bank has greater rights or remedies under federal law, whether as a national bank or otherwise, this paragraph shall not be deemed to deprive the Bank of such rights and remedies as may be available under federal law. Jurisdiction and venue for any action or proceeding to enforce this Agreement shall be in the forums of the state of Tennessee sitting in Knox County or of the United States for the Eastern District of such state, to which jurisdiction the Pledgor irrevocably submits and to which venue the Pledgor waives to the fullest extent permitted by law any defense asserting an inconvenient forum in connection therewith.

(e) All rights and remedies herein provided are cumulative and not exclusive of any rights or remedies otherwise provided by law. Any single or partial exercise of any right or remedy shall not preclude the further exercise thereof or the exercise of any other right or remedy.

(f) All terms not defined herein are used as set forth in the Uniform Commercial Code.

(g) In the event of any action by the Bank to enforce this Agreement or to protect the security interest of the Bank in the Collateral, or to take possession of, hold, preserve, process, assemble, insure, prepare for sale or lease, market for sale or lease, sell or lease, or otherwise dispose of, any Collateral, the Pledgor agrees to pay immediately the costs and expenses thereof, together with reasonable attorneys' fees.

(h) In the event the Bank seeks to take possession of any or all of the Collateral by judicial process, the Pledgor hereby irrevocably waives any bonds and any surety or security relating thereto that may be required by applicable law as an incident to such possession, and waives any demand for possession prior to the commencement of any such suit or action.

(i) This Agreement shall constitute a continuing agreement, applying to all future as well as existing transactions, whether or not of the character contemplated at the date of this Agreement, and if all transactions between the Bank and the Pledgor shall be closed at any time, shall be equally applicable to any new transactions thereafter.

(j) The Bank's rights hereunder shall inure to the benefit of its successors and assigns. In the event of any assignment or transfer by the Bank of any of the indebtedness or the Collateral, the Bank thereafter shall be fully discharged from any responsibility with respect to the Collateral so assigned or transferred, but the Bank shall retain all rights and powers hereby given with respect to any of the indebtedness or the Collateral not so assigned or transferred. All representations, warranties and agreements of the Pledgor if more than one are joint and several and all shall be binding upon the personal representatives, heirs, successors and assigns of the Pledgor.

9. FINAL AGREEMENT. BY SIGNING THIS DOCUMENT EACH PARTY REPRESENTS AND AGREES THAT: (A) THIS DOCUMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES WITH RESPECT TO THE SUBJECT MATTER

HEREOF, (B) THIS DOCUMENT SUPERSEDES ANY COMMITMENT LETTER, TERM SHEET, OR OTHER WRITTEN OUTLINE OF TERMS AND CONDITIONS RELATING TO THE SUBJECT MATTER HEREOF, UNLESS SUCH COMMITMENT LETTER, TERM SHEET, OR OTHER WRITTEN OUTLINE OF TERMS AND CONDITIONS EXPRESSLY PROVIDES TO THE CONTRARY, (C) THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES, AND (D) THIS DOCUMENT MAY NOT BE CONTRADICTED BY EVIDENCE OF ANY PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OR UNDERSTANDINGS OF THE PARTIES.

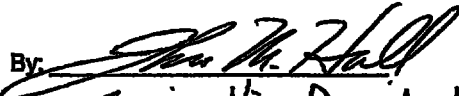
10. **PRIOR AGREEMENT SUPERSEDED.** This Agreement supersedes that certain Security Agreement dated July 22, 2008, by and between certain Pledgors and the Bank, as may have been previously amended.

[Remainder of page intentionally left blank. Signature pages follow.]

This Agreement is executed as of the date stated at the top of the first page.

BANK:

BANK OF AMERICA, N.A.

By: 
Title: Senior Vice President

By: _____


Title: _____

Address for Notices:
Bank of America, N.A.
550 W. Main Street, 8th Floor
Knoxville, TN 37902
Facsimile: (866) 244-3275
Attention: John Hall


[Pledgor Signature Pages Follow]

PLEDGORS:


GULF & OHIO RAILWAYS, INC.

By: 
Typed Name: P. Peter Clausen
Title: President / CEO


CONECUH VALLEY RAILROAD CO., INC.

By: 
Typed Name: H. Peter Clausen
Title: Chairman of the Board


**KNOXVILLE & HOLSTON RIVER RAILROAD CO.,
INC.**

By: 
Typed Name: H. Peter Clausen
Title: Chairman of the Board

KNOXVILLE LOCOMOTIVE WORKS, INC.

By: 
Typed Name: H. Peter Clausen
Title: Chairman of the Board

KLWX, INC.

By: 
Typed Name: H. Peter Clausen
Title: Chairman of the Board

[Pledgor Signatures Continue on Following Page]

LAURINBURG & SOUTHERN RAILROAD CO., INC.

By: 

Typed Name: H. Peter Clauson

Title: Chairman of the Board


**PIEDMONT & ATLANTIC RAILROAD CO., INC. D/B/A
YADKIN VALLEY RAILROAD**

By: 

Typed Name: H. Peter Clauson

Title: Chairman of the Board

**ROCKY MOUNT & WESTERN RAILROAD CO., INC.
D/B/A NASH COUNTY RAILROAD**

By: 

Typed Name: H. Peter Clauson

Title: Chairman of the Board

TENNESSEE RAILCAR SERVICE, INC.

By: 

Typed Name: H. Peter Clauson

Title: Chairman of the Board

THREE NOTCH RAILROAD CO., INC.

By: 

Typed Name: H. Peter Clauson

Title: Chairman of the Board

[Pledgor Signatures Continue on Following Page]

THREE RIVERS RAMBLER, INC.

By: [Signature]
Typed Name: H. Peter Clausen
Title: Chairman of the Board

TOWERFALL, INC.

By: [Signature]
Typed Name: H. Peter Clausen
Title: Chairman of the Board

WIREGRASS CENTRAL RAILROAD COMPANY, INC.

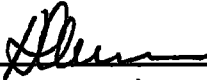
By: [Signature]
Typed Name: H. Peter Clausen
Title: Chairman of the Board

LANCASTER & CHESTER RAILROAD, LLC

By: [Signature]
Typed Name: H. Peter Clausen
Title: Chairman of the Board

[Pledgor Signatures Continue on Following Page]

LANCASTER LEASING & MAINTENANCE CO., INC.

By: 

Typed Name: H. Peter Clausen

Title: Chairman of the Board

Address for Notices
c/o Gulf & Ohio Railways, Inc.:
422 Cumberland Avenue
Knoxville, TN 37902
Facsimile: 615.546.5117
Attention: Ellen Olson

I certify that I hold the title set forth below, that this instrument was signed on behalf of Gulf & Ohio Railways, Inc., as Pledgor, by authority of its Board of Directors and that I acknowledge that the execution of the foregoing instrument was the free act and deed of the Pledgor. I further declare under penalty of perjury that the foregoing is true and correct.

By: _____

Name: H. Peter Claussen

Title: President/CEO

I certify that I hold the title set forth below, that this instrument was signed on behalf of Conecuh Valley Railroad, Inc., Knoxville & Holston River Railroad Co., Inc., Knoxville Locomotive Works, Inc., KLWX, Inc., Laurinburg & Southern Railroad Co., Inc., Piedmont & Atlantic Railroad Co., Inc. (d/b/a Yadkin Valley Railroad), Rocky Mount & Western Railroad Co., Inc. (d/b/a Nash County Railroad), Tennessee Railcar Service, Inc., Three Notch Railroad Co., Inc., Three Rivers Rambler, Inc., Towerfall, Inc., Wiregrass Central Railroad Company, Inc., Lancaster & Chester Railroad, LLC by authority of each Board of Directors and that I acknowledge that the execution of the foregoing instrument was the free act and deed of each Pledgor. I further declare under penalty of perjury that the foregoing is true and correct.

By: _____

Name: H. Peter Claussen

Title: Chairman of the Board

EXHIBIT A

Equipment Description